

# **Centreville Public Schools**

Financial Report  
With Supplemental Information

Year Ended June 30, 2008

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## Independent Auditors' Report

Board of Education  
Centreville Public Schools  
Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centreville Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Centreville Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centreville Public Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education  
Centreville Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centreville Public School's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Willis & Jurasek, P.C.

October 29, 2008

Centreville Public Schools, a K-12 school District located in St. Joseph County, Michigan, is in the fourth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Centreville Public Schools Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Projects and the School Service Funds which are comprised of: Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payment of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

**District-wide Financial Statements:**

The District-Wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-Wide financial statements.

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Administration's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008
**Summary of Net Assets:**

The School District's net assets totaled \$3,776,853 at June 30, 2008, a decrease of \$107,765 (2.78%) over the balance at the end of the prior year. Unrestricted net assets decreased from \$1,275,589 to \$1,230,233 or \$45,356. Restricted net assets increased slightly from \$157,766 to \$210,072 or \$52,306. Restricted net assets represent legal constraints from debt covenants and legislation that limit the School District's ability to use those net assets for day-to-day operations. The following is a summary of the School District's net assets at June 30, 2008 and 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>Assets</b>		
Current assets	\$ 3,137,216	\$ 3,213,367
Capital assets, net book value	9,235,645	9,616,856
Unamortized bond issue cost	89,625	95,227
Total assets	<u>\$12,462,486</u>	<u>\$12,925,450</u>
<b>Liabilities</b>		
Current liabilities	\$ 1,747,826	\$ 1,773,594
Long-term liabilities	6,937,807	7,267,239
Total liabilities	<u>8,685,633</u>	<u>9,040,833</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,336,548	2,451,262
Restricted for debt retirement	210,072	157,766
Unrestricted	<u>1,230,233</u>	<u>1,275,589</u>
Total net assets	<u><u>\$ 3,776,853</u></u>	<u><u>\$ 3,884,617</u></u>

**Analysis of Financial Position:**

During fiscal year ended June 30, 2008, the District's net assets decreased by \$107,765. The results of operations presented below reports the change in net assets from the activities of the District as a whole. A few of the significant factors affecting the change in net assets during the year are discussed below:

**A. Governmental Fund Operations**

In the School District's governmental funds, revenues exceeded expenditures by \$51,872 for the fiscal year ended June 30, 2008. See the section entitled Governmental Funds Financial Highlights below for further discussion of governmental fund operations.

**B. Depreciation Expense**

The provisions of GASB 34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For fiscal year ended June 30, 2008, depreciation expense was \$428,161.

**C. Capital Acquisitions**

Actual capital outlay acquisitions for fiscal year ended June 30, 2008 were \$69,450. Combined with the increase in accumulated depreciation and retirement of assets, net assets (i.e., net book value) invested in capital assets decreased by \$381,211 during the year.

**D. Debt Repayments**

Repayment of debt decreased the School District's long-term principal obligations and, thereby increased the net assets of the School District. The School District repaid \$325,000 of long-term debt during the year ended June 30, 2008.

**Results of Operations**

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. As the table below indicates, net assets decreased slightly for the year ending June 30, 2008. Interest on long-term debt decreased as the District continues paying down its outstanding debt.

# Centreville Public Schools

## Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008

Revenues:	2008		2007	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
Property Taxes levied - General Operations	\$ 681,172	7.39%	\$ 665,432	7.22%
State of Michigan Aid, Unrestricted	6,300,773	68.32%	6,321,321	68.59%
Michigan's Foundation Grant Allowance	6,981,945	75.71%	6,986,753	75.81%
Property Taxes levied for Debt Service	596,541	6.47%	580,658	6.30%
Interest and Investment Earnings	43,426	0.47%	52,840	0.57%
Other general revenue	19,573	0.21%	45,363	0.49%
Total General Revenue	7,641,485	82.86%	7,665,614	83.17%
<b>Charges for Services:</b>				
Instruction and instructional staff support	460,469	4.99%	467,018	5.07%
Food Service	195,802	2.12%	196,557	2.13%
Athletics	117,797	1.28%	133,768	1.45%
Community Services	34,233	0.37%	19,011	0.21%
Total charges for services	808,301	8.76%	816,354	8.86%
<b>Operating Grants:</b>				
Federal	352,221	3.82%	384,262	4.17%
State of Michigan	420,627	4.56%	350,386	3.80%
Other operating grants	-	0.00%	-	0.00%
Total operating grants	772,848	8.38%	734,648	7.97%
Total Revenues	9,222,634	100.00%	9,216,616	100.00%
<b>Expenses:</b>				
Instruction and instructional support	5,045,858	54.08%	4,877,898	52.85%
Support Services	2,736,405	29.23%	2,736,125	29.64%
Food Services	427,891	4.59%	399,258	4.33%
Athletics	309,571	3.32%	318,111	3.45%
Community Services	50,299	0.54%	36,310	0.39%
Other	5,602	0.06%	5,602	0.06%
Interest on long-term debt	326,612	3.50%	343,241	3.72%
Depreciation (Unallocated)	428,161	4.59%	513,762	5.57%
Total Expenses	9,330,399	100.00%	9,230,307	100.00%
<b>Increase (Decrease) in Net Assets</b>	( 107,765)		(13,691)	
<b>Beginning Net Assets</b>	3,884,618		3,898,308	
<b>Ending Net Assets</b>	\$3,776,853		\$3,884,617	



**Governmental Fund Revenues**

Revenues for all governmental funds totaled \$9.25 million for 2007/2008.

**State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The School District is predominantly funded by State Aid which has increased on a per-pupil basis although at a rate that is less than the rate of inflation. Unrestricted State Aid is determined by the following three variables: (A) State of Michigan student foundation allowance; (B) student enrollment for the year, blended at 75 percent of the current year's fall student count and 25 percent of the previous year's winter student count; and (C) the School District's non-homestead property tax levy.

**A. Per Student, Foundation Allowance:**

Annually, the State of Michigan sets the per student foundation allowance. The Centreville Public School's foundation allowance was \$7,208 per student for the 2007-2008 school year, compared to \$7,085 for the 2006-2007 school year.

**B. Student Enrollment:**

The District's student enrollment for 2007-2008 was 989 students. The District's enrollment has generally increased during the past five years. The following summarizes fall student enrollments in the past five years (FTE – Full Time Equivalent):

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2007-2008	989	(11)
2006-2007	1,000	40
2005-2006	960	(26)
2004-2005	986	6
2003-2004	980	(2)

Subsequent to year-end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments will increase slightly from 2007-2008.

**C. Property Taxes levied for General Operations (General Fund Property Taxes)**

The District levied 18.000 mills of property taxes on all non-homestead property located within the School District for operations. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value. This levy is subject to millage reduction fractions. To earn the full amount of per pupil funding in the State of Michigan, a District is expected to levy the full 18 mills.

The District's property tax levy for the 2007-08 fiscal year was \$668,843. This is an increase of .99% over the prior year.

**Governmental Funds Financial Highlights**

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as "Nonmajor Governmental Funds" in the fund financial statements include the Athletics and Food Service Special Revenue Funds and Debt Retirement Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

**A. General Fund**

As a percentage of total expenditures, the General Fund experienced a decrease in fund equity of \$(59,494) or 4.85% during the year ended June 30, 2008. The beginning fund balance was \$1,225,599 as of July 1, 2007 and the ending fund balance was \$1,166,105 at June 30, 2008, which equates to 14.66% of total expenditures for the year.

**B. Other Nonmajor Governmental Funds**

Other governmental funds experienced a modest increase in fund equity of \$7,622 during the year. The beginning fund balance on July 1, 2007 was \$265,330 and at June 30, 2008 the fund balance was \$272,952. The financial condition of the Food Service Program improved during the 2007-08 school year adding \$6,929 to fund balance for a total fund balance at year end of \$54,311. The School District's Athletic had a slight decrease in fund equity of \$(458) resulting in a fund balance \$8,569 at June 30, 2008.

**General Fund Budgetary Highlights**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment changes and resultant staffing adjustments, staffing changes that take place during the year, State School Aid adjustments, grant allocations, and other unforeseeable events. As a matter of practice, the School District amends its budget periodically during the fiscal year to adjust for these changes. The June 2008 budget amendment was the final budget for the fiscal year.

A comparison of the original and final budget amounts for the current fiscal year are presented below:

**Change from Original to Final Budget:**

Total Revenues Original Budget	\$8,059,682	100.00%
Total Revenues Final Budget	<u>8,095,328</u>	<u>100.44%</u>
Increase in Budgeted Revenue	<u>\$ 35,646</u>	<u>0.44%</u>

Budgeted revenue increased \$35,646 to account for adjustments to estimates for property taxes, State Aid and various items. The District's final actual General Fund revenues differed from final budget by \$(6,480), a variance of (0.08)%.

**General Fund Expenditures:**

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$7,843,607	100.00%
Total Expenditures Final Budget	<u>8,047,270</u>	<u>102.59%</u>
Increase in Budgeted Expenditures	<u>\$ 203,663</u>	<u>2.59%</u>

Budgeted expenditures increased \$203,663 to account for changes in estimates for salaries and benefits, costs of supplies and purchased services, and other expenses in the operating plan of the School District. The District's final actual general fund expenditures differed from the final budget by \$90,244, a variance of 1.12%.

**Administration's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008**

**Property Taxes levied for Debt Service:**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008, the District's debt millage levy was 4.3 mills, which generated revenue of \$603,669.

**Capital Assets and Debt Administration****A. Capital Assets**

At June 30, 2008, the School District had \$9,235,645 invested in land and buildings, furniture and equipment, buses and other vehicles. The net decrease of \$381,211, 3.96%, is from additions, disposals, and depreciation expense.

	<u>2008</u>	<u>2007</u>
Land improvements	\$ 243,719	\$ 268,925
Building and additions	8,194,531	8,439,190
Furniture and equipment	647,647	797,903
Buses and other vehicles	<u>149,748</u>	<u>110,838</u>
Total capital assets	<u>\$9,235,645</u>	<u>\$ 9,616,856</u>

Additions to capital assets for a school bus and other equipment were \$69,450 for the year ending June 30, 2008. Depreciation expense accounts for the main decrease in net capital assets. More detailed information about capital assets is presented in the Notes to the Financial Statements.

**B. Long-Term Debt**

At June 30, 2008, the School District had \$6,990,809 in outstanding bonds compared to \$7,315,809 at June 30, 2007 for a decrease of 4.4%. Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
1999 Refunding bonds	\$ 275,000	\$ 535,000
2005 Refunding bonds	6,645,000	6,670,000
Energy Conservation bonds	0	40,000
Durant Non-Plaintiff bonds	<u>70,809</u>	<u>70,809</u>
Total	<u>\$6,990,809</u>	<u>\$7,315,809</u>

For more detailed information regarding debt administration, please review the Notes to Financial Statements located in the financial section of this report.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The 2008 budget was adopted in June 2008, based on no increase from our September 2007 student count. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009 school year, we anticipate that the fall student count will be within the estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. The impact this will have on school districts is not known at this time.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Centreville Public Schools (269) 467-5221.

**Centreville Public Schools**

## Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 1,581,088
Receivables:	
Accounts receivable	38,754
Due from other governmental units	1,358,634
Inventories	7,924
Prepaid expenses	150,816
Unamortized refunding bond issuance costs	89,625
Capital assets less accumulated depreciation of \$5,909,843	<u>9,235,645</u>
Total assets	<u>12,462,486</u>
<b>Liabilities:</b>	
Accounts payable	31,225
State aid anticipation loan	950,000
Accrued payroll	385,455
Accrued interest	49,667
Other liabilities	331,479
Long-term liabilities:	
Bonds payable, due within one year	291,164
Bonds payable, due in more than one year	6,558,266
Other obligations, due in more than one year	<u>88,377</u>
Total liabilities	<u>8,685,633</u>
<b>Net Assets:</b>	
Investment in capital assets - net of related debt	2,336,548
Restricted for debt service	210,072
Unrestricted	<u>1,230,233</u>
Total net assets	<u>\$ 3,776,853</u>

See Notes to Financial Statements.

# Centreville Public Schools

Statement of Activities  
Year Ended June 30, 2008

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Net (Expenses) Revenues and Change in Net Assets
Primary Government				
Governmental activities:				
Instruction	\$ 5,045,858	\$ 460,469	\$ 499,943	\$ (4,085,446)
Support services	2,736,405	-	34,502	(2,701,903)
Food service activities	427,891	195,802	238,403	6,314
Athletic activities	309,571	117,797	-	(191,774)
Community services	50,299	34,233	-	(16,066)
Other	5,602	-	-	(5,602)
Interest on long-term debt	326,612	-	-	(326,612)
Depreciation (unallocated)	428,161	-	-	(428,161)
Total governmental activities	\$ 9,330,399	\$ 808,301	\$ 772,848	(7,749,250)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				681,172
Property taxes, levied for debt services				596,541
State aid not restricted to specific purposes				6,300,773
Interest and investment earnings				43,426
Other				19,573
Total general revenues				7,641,485
Change in Net Assets				(107,765)
Net Assets - Beginning of Year				3,884,618
Net Assets - End of Year				\$ 3,776,853

See Notes to Financial Statements.

# **Centreville Public Schools**

Balance Sheet  
Governmental Funds  
June 30, 2008

	Other Nonmajor Governmental		
	<u>General</u>	<u>Funds</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 1,386,067	\$ 195,021	\$ 1,581,088
Receivables:			
Accounts receivable	30,014	8,740	38,754
Due from other governmental units	1,358,634	-	1,358,634
Due from other funds	-	114,628	114,628
Inventories	-	7,924	7,924
Prepaid expenditures	150,816	-	150,816
Total assets	<u>\$ 2,925,531</u>	<u>\$ 326,313</u>	<u>\$ 3,251,844</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ 31,224	\$ 1	\$ 31,225
State aid anticipation loan	950,000	-	950,000
Due to other funds	114,628	-	114,628
Salaries payable	385,455	-	385,455
Accrued expenditures	278,119	-	278,119
Deferred revenue	-	53,360	53,360
Total liabilities	<u>1,759,426</u>	<u>53,361</u>	<u>1,812,787</u>
<b>Fund Balances:</b>			
Reserved for debt service	-	210,072	210,072
Reserved for prepaid expenditures	150,816	-	150,816
Reserved for inventory	-	7,924	7,924
Unreserved: undesignated	1,015,289	54,956	1,070,245
Total fund balances	<u>1,166,105</u>	<u>272,952</u>	<u>1,439,057</u>
Total liabilities and fund balances	<u>\$ 2,925,531</u>	<u>\$ 326,313</u>	<u>\$ 3,251,844</u>



# Centreville Public Schools

## Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets Governmental Funds June 30, 2008

**Total Fund Balances - Governmental Funds** \$ 1,439,057

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Bond issuance costs not due and payable in the current period are not  
reported in the funds.

Deferred charges for bond issuance costs \$ 112,033

Accumulated amortization is (22,408)

89,625

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is 15,145,488

Accumulated depreciation is (5,909,843)

9,235,645

Long-term liabilities not due and payable in the current period  
are not reported in the funds:

Bonds payable (6,990,809)

Bond premium (101,551)

Deferred amount of bond refunding 242,930

Compensated absences (88,377)

Accrued interest payable is not included as a liability in  
governmental activities.

(49,667)

**Total Net Assets - Governmental Activities** \$ 3,776,853

**Centreville Public Schools**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Local sources	\$ 799,019	\$ 887,212	\$ 1,686,231
State sources	6,694,401	26,999	6,721,400
Federal sources	140,817	211,404	352,221
Interdistrict and other	<u>454,611</u>	<u>30,671</u>	<u>485,282</u>
Total revenues	<u>8,088,848</u>	<u>1,156,286</u>	<u>9,245,134</u>
<b>Expenditures:</b>			
Instruction	5,059,126	-	5,059,126
Support services	2,805,855	-	2,805,855
Athletic activities	-	309,571	309,571
Food service activities	-	427,891	427,891
Community services	50,299	-	50,299
Debt service:			
Principal and interest payments	40,000	285,000	325,000
Interest and fiscal charges	<u>1,746</u>	<u>317,518</u>	<u>319,264</u>
Total expenditures	<u>7,957,026</u>	<u>1,339,980</u>	<u>9,297,006</u>
<b>Revenues Over (Under) Expenditures</b>	<u>131,822</u>	<u>(183,694)</u>	<u>(51,872)</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	191,316	191,316
Operating transfers out	<u>(191,316)</u>	<u>-</u>	<u>(191,316)</u>
Total other financing sources (uses)	<u>(191,316)</u>	<u>191,316</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	(59,494)	7,622	(51,872)
<b>Fund Balances - Beginning of Year</b>	<u>1,225,599</u>	<u>265,330</u>	<u>1,490,929</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,166,105</u>	<u>\$ 272,952</u>	<u>\$ 1,439,057</u>

**Centreville Public Schools**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$ (51,872)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (428,161)	
Capital outlay net of disposals	<u>46,950</u>	
		(381,211)

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	1,488
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Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayments:

Bond holders	325,000	
Amortization of bond premium	6,347	
Amortization of bond issuance costs	(5,602)	
Amortization of deferred amount on bond refunding	<u>(15,183)</u>	
		310,562

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds.	<u>13,268</u>
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**Change in Net Assets of Governmental Activities** \$ (107,765)

**Centreville Public Schools**  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2008

**Agency Fund -  
Student  
Activities**

**Assets:**

Cash and cash equivalents

\$ 112,239

**Liabilities:**

Due to student groups

\$ 112,239

**Centreville Public Schools**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Centreville Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the School District.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Centreville Public Schools**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**District-Wide Statements (Continued)** – As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** – The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletics Fund and the Food Services Fund.

**Debt Funds** – Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2005 Debt Fund, the 1999 Debt Fund and the Durant Debt Fund.

**Centreville Public Schools**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-homestead	18.000 mills
Debt Funds – Homestead and Non-homestead	4.5 mills

**Centreville Public Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 20 years
Buildings and improvements	20 - 50 years
Buses and other vehicles	7 - 10 years
Furniture and equipment	5 - 20 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.



**Centreville Public Schools**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Use of Estimates** – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Note 2 – Stewardship, Compliance, and Accountability**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**Centreville Public Schools**  
Notes to Financial Statements

**Note 2 – Stewardship, Compliance, and Accountability (Continued)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations for the General Fund, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**Note 3 – Deposits and Investments**

At year-end, the School District's deposits and investments (see Note 1 for description) were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ <u>1,581,088</u>	\$ <u>112,239</u>	\$ <u>1,693,327</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ <u>1,693,327</u>
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**Investment and Deposit Risk**

**Interest Rate Risk** – State law limits the allowable investments and the maturities of some of the allowable investments. The School's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The School's investment policy does not have specific limits in excess of State law on investment credit risk. The District's investment in the bank school cash investment fund was rated A-1 by Standard & Poor's, F-1 by Fitch Ratings and P-1 by Moody's Investor's Service.

**Centreville Public Schools**  
Notes to Financial Statements

**Note 3 – Deposits and Investments (Continued)**

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$1,790,201 of the School's bank balance of \$1,890,201 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 – Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Capital assets being depreciated:				
Land improvements	\$ 478,469	\$ -	\$ -	\$ 478,469
Buildings and improvements	11,994,208	-	25,000	11,969,208
Buses and other vehicles	495,696	69,450	55,201	509,945
Furniture and equipment	<u>2,187,866</u>	<u>-</u>	<u>-</u>	<u>2,187,866</u>
Subtotal	<u>15,156,239</u>	<u>69,450</u>	<u>80,201</u>	<u>15,145,488</u>
Accumulated depreciation:				
Land improvements	209,544	25,206	-	234,750
Buildings and improvements	3,555,018	222,159	2,500	3,774,677
Buses and other vehicles	384,858	30,540	55,201	360,197
Furniture and equipment	<u>1,389,963</u>	<u>150,256</u>	<u>-</u>	<u>1,540,219</u>
Subtotal	<u>5,539,383</u>	<u>428,161</u>	<u>57,701</u>	<u>5,909,843</u>
Net capital assets being depreciated	<u>9,616,856</u>	<u>(358,711)</u>	<u>22,500</u>	<u>9,235,645</u>
Net capital assets	<u>\$ 9,616,856</u>	<u>\$(358,711)</u>	<u>\$ 22,500</u>	<u>\$ 9,235,645</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$428,161. The District determined that it was impractical to allocate depreciation to various government activities as the assets serve multiple functions.

**Note 5 – Receivables**

Receivables at June 30, 2008, consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$1,358,634
Other receivables	<u>38,754</u>
	<u>\$1,397,388</u>

**Centreville Public Schools**  
Notes to Financial Statements

**Note 6 – Interfund Receivables, Payables, and Transfers**

Amounts appearing as interfund receivables and payables arise when a fund pays for a good or service on behalf of another fund. The composition of interfund balances at year-end is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Lunch Fund	General Fund	\$ 26,213
Athletic Fund	General Fund	33,217
1999 Debt Fund	General Fund	25,957
2005 Debt Fund	General Fund	<u>29,241</u>
		<u>\$114,628</u>

**Interfund Transfers:**

During the current fiscal year, the General Fund transferred \$191,316 to the Athletics Fund to help subsidize the athletic activities for the year ended June 30, 2008.

**Note 7 – Note Payable**

During the year, the District issued a State Aid anticipation note dated September 11, 2007 maturing August 20, 2008 in the amount of \$950,000 with an interest rate of 3.59%.

<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2008</u>
<u>\$ 950,000</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>

The District has subsequently borrowed \$950,000 at 2.99% for the 2008-2009 school year.

**Note 8 – Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$7,245,000	\$ -	\$325,000	\$6,920,000	\$ 300,000
Durant debt	70,809	-	-	70,809	-
Unamortized bond premium	107,898	-	6,347	101,551	6,347
Unamortized deferred amount on bond refunding	(258,113)	-	(15,183)	(242,930)	(15,183)
Compensated absences	<u>101,645</u>	<u>-</u>	<u>13,268</u>	<u>88,377</u>	<u>-</u>
Total governmental activities	<u>\$7,267,239</u>	<u>\$ -</u>	<u>\$ 329,432</u>	<u>\$6,937,807</u>	<u>\$ 291,164</u>

**Centreville Public Schools**  
Notes to Financial Statements

**Note 8 – Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above governmental obligations are as follows:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 306,674	\$ 299,746	\$ 606,420
2010	351,100	305,730	656,830
2011	332,324	278,945	611,269
2012	347,673	262,346	610,019
2013	363,038	244,981	608,019
2014-2018	2,010,000	953,690	2,963,690
2019-2023	2,330,000	506,440	2,836,440
2024-2025	<u>950,000</u>	<u>62,582</u>	<u>1,012,582</u>
Total	<u>\$6,990,809</u>	<u>\$2,914,460</u>	<u>\$9,905,269</u>

General obligation bonds and loans consist of:

\$8,385,000 1999 refunding bonds due in annual installments of \$260,000 to \$275,000 through May 1, 2009; interest at 5.0%	\$ 275,000
\$6,720,000 2005 refunding bonds due in annual installments of \$25,000 to \$475,000 through May 1, 2025; interest at 3.25% to 5.0%	6,645,000
\$119,922 Durant Non-Plaintiff serial bonds due in annual installments of \$6,674 to \$41,100 through May 15, 2013; interest at 4.70%	<u>70,809</u>
Total bonded debt	<u>\$6,990,809</u>

**Durant Non-Plaintiff Bond** – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$6,674 to \$41,100 associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future payments on the old bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$6,645,000 of bonds outstanding are considered defeased.

**Note 9 – Federal and State Grants**

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

**Centreville Public Schools**  
Notes to Financial Statements

**Note 10 – Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The District maintains a self-insured medical, dental and vision insurance plan covering eligible employees and their eligible dependents. The District maintains this insurance plan for the professional teaching staff on a September year-end basis. For all other eligible employees, this plan has a June 30 year-end. Self insurance is in effect for losses up to \$25,000 per participant per year. Losses greater than \$25,000 per participant, and those in excess of the aggregate stop-loss of \$619,944, excluding prescription costs, are insured by a private insurance company. Employees contribute a monthly amount up to \$90 toward the medical, dental and vision coverage depending upon the level of deductible and co-payment chosen. The claims liability at June 30, 2008 is based on the settlement value of claims reported and the estimated value of claims incurred but not yet reported. The District has estimated potential claims for the period July 1 through September 30, 2008 based on average monthly claims for the rest of the fiscal year.

The following is a reconciliation of the claims liability for the year ended June 30, 2008:

Claims liability, beginning of year	\$ 212,620
Estimated claims incurred	847,020
Payments made	<u>(902,777)</u>
Claims liability, end of year	<u>\$ 156,863</u>

The District's cost for stop-loss premiums was \$168,522.

The District has established a reserve with the insurance provider for \$115,076.

**Note 11 – Defined Benefit Pension Plan and Post-employment Benefits**

**Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, MI 48909 or by calling (517) 322-6000.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.30% of all wages over \$15,000.

**Centreville Public Schools**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-employment Benefits (Continued)**

**Funding Policy (Continued)** – Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$798,000, \$779,000 and \$730,000, respectively.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Post-Employment Benefits** – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

### **Required Supplemental Information**



**Centreville Public Schools**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Local sources	\$ 800,784	\$ 808,112	\$ 799,019
State sources	6,689,898	6,690,589	6,694,401
Federal sources	154,000	164,627	140,817
Interdistrict and other sources	415,000	432,000	454,611
Total revenues	<u>8,059,682</u>	<u>8,095,328</u>	<u>8,088,848</u>
<b>Expenditures:</b>			
Instruction:			
Elementary instruction	1,827,290	1,884,415	1,886,967
Junior High instruction	562,565	596,407	583,191
Senior High instruction	1,329,535	1,292,135	1,275,134
Preschool	37,000	37,434	40,210
Special education	431,371	486,791	469,864
Compensatory education	388,580	401,368	408,621
Career and technical education	301,185	322,481	309,585
Adult education/enrichment	85,858	82,816	85,554
Total instruction	<u>4,963,384</u>	<u>5,103,847</u>	<u>5,059,126</u>
Support Services:			
Curriculum	100,000	97,315	108,719
Guidance	108,768	98,759	100,761
Social work/health	140,000	147,189	141,616
Crossing guards	3,000	3,726	3,243
Library	111,000	113,286	107,444
Mandated testing	2,000	2,000	78
Board of Education	52,830	50,275	56,060
Central office administration	212,000	217,121	213,852
Building administrators	491,000	470,099	465,484
Technology	170,000	161,165	171,978
Business office	178,000	187,680	175,108
Other business services	60,000	100,525	72,687
Security	7,000	8,550	8,534
Operations and maintenance	730,000	757,200	751,732
Transportation	430,625	437,975	428,559
Total support services	<u>2,796,223</u>	<u>2,852,865</u>	<u>2,805,855</u>
Community Services:			
Custody and child care	<u>22,000</u>	<u>48,558</u>	<u>50,299</u>
Debt Service:	<u>62,000</u>	<u>42,000</u>	<u>41,746</u>
Total expenditures	<u>7,843,607</u>	<u>8,047,270</u>	<u>7,957,026</u>
<b>Revenues Over (Under) Expenditures</b>	<u>216,075</u>	<u>48,058</u>	<u>131,822</u>

**Centreville Public Schools**  
 Budgetary Comparison Schedule - General Fund (Continued)  
 Year Ended June 30, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	\$ (191,586)	\$ (175,000)	\$ (191,316)
Total other financing sources (uses)	<u>(191,586)</u>	<u>(175,000)</u>	<u>(191,316)</u>
<b>Net Changes in Fund Balances</b>	24,489	(126,942)	(59,494)
<b>Fund Balances - Beginning of Year</b>	<u>1,225,599</u>	<u>1,225,599</u>	<u>1,225,599</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,250,088</u>	<u>\$ 1,098,657</u>	<u>\$ 1,166,105</u>

## **Other Supplemental Information**

**Centreville Public Schools**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			
	<u>Athletics</u>	<u>Food</u> <u>Services</u>	<u>1999</u> <u>Debt Fund</u>	<u>2005</u> <u>Debt Fund</u>	<u>Durant</u> <u>Debt Fund</u>	<u>Total</u>
\$ 22,127 \$	18,020 \$	8,804 \$	146,070 \$	- \$	- \$	195,021
-	8,740	-	-	-	-	8,740
33,217	26,213	25,957	29,241	-	-	114,628
-	7,924	-	-	-	-	7,924
<u>\$ 55,344 \$</u>	<u>60,897 \$</u>	<u>34,761 \$</u>	<u>175,311 \$</u>	<u>- \$</u>	<u>- \$</u>	<u>326,313</u>

**Assets**

Cash  
Accounts receivable  
Due from other funds  
Inventories  
Total assets

**Liabilities and Fund Balances**

**Liabilities:**

\$ - \$	1 \$	- \$	- \$	- \$	1
46,775	6,585	-	-	-	53,360
<u>46,775</u>	<u>6,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,361</u>

**Fund Balances:**

Reserved for debt service	34,761	175,311	-	210,072
Reserved for inventory	-	-	-	7,924
Unreserved undesignated	-	-	-	54,956
<u>Total fund balances</u>	<u>34,761</u>	<u>175,311</u>	<u>-</u>	<u>272,952</u>

**Total liabilities and fund balances**

<u>\$ 55,344 \$</u>	<u>60,897 \$</u>	<u>34,761 \$</u>	<u>175,311 \$</u>	<u>- \$</u>	<u>326,313</u>
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# **Centreville Public Schools**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>		
	<u>Athletics</u>	<u>Food Services</u>	<u>1999</u>	<u>2005</u>	<u>Debt Fund</u>	<u>Durant</u>
<b>Revenues:</b>						
Local sources	\$ 117,797	\$ 165,746	\$ 282,396	\$ 321,273	\$ -	\$ 887,212
State sources	-	26,999	-	-	-	26,999
Federal sources	-	211,404	-	-	-	211,404
Other	-	30,671	-	-	-	30,671
Total revenues	<u>117,797</u>	<u>434,820</u>	<u>282,396</u>	<u>321,273</u>	<u>-</u>	<u>1,156,286</u>
<b>Expenditures:</b>						
Athletic activities	309,571	-	-	-	-	309,571
Food service activities	-	427,891	-	-	-	427,891
Debt service	-	-	285,893	316,625	-	602,518
Total expenditures	<u>309,571</u>	<u>427,891</u>	<u>285,893</u>	<u>316,625</u>	<u>-</u>	<u>1,339,980</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(191,774)</u>	<u>6,929</u>	<u>(3,497)</u>	<u>4,648</u>	<u>-</u>	<u>(183,694)</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	191,316	-	-	-	-	191,316
Total other financing sources (uses)	<u>191,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,316</u>
<b>Net Changes in Fund Balances</b>	(458)	6,929	(3,497)	4,648	-	7,622
<b>Fund Balances - Beginning of Year</b>	<u>9,027</u>	<u>47,382</u>	<u>38,258</u>	<u>170,663</u>	<u>-</u>	<u>265,330</u>
<b>Fund Balances - End of Year</b>	<u>\$ 8,569</u>	<u>\$ 54,311</u>	<u>\$ 34,761</u>	<u>\$ 175,311</u>	<u>\$ -</u>	<u>\$ 272,952</u>

**Centreville Public Schools**  
Schedule of Bonded Indebtedness  
June 30, 2008

2005 Refunding Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year		Bonds Outstanding June 30, 2008
					Interest Requirements	Principal Requirements	
	March 10, 2005	\$ 6,720,000	3.250%	05/01/09	\$ 291,124	\$ 25,000	\$ 25,000
			3.500%	05/01/10	290,248	310,000	310,000
			4.000%	05/01/11	277,848	325,000	325,000
			5.000%	04/30/12	261,598	340,000	340,000
			5.000%	05/01/13	244,598	355,000	355,000
			5.000%	05/01/14	226,848	370,000	370,000
			5.000%	05/01/15	208,348	385,000	385,000
			5.000%	04/30/16	189,098	400,000	400,000
			4.000%	05/01/17	173,098	420,000	420,000
			4.000%	05/01/18	156,298	435,000	435,000
			4.000%	05/01/19	138,898	450,000	450,000
			4.000%	04/30/20	120,898	455,000	455,000
			4.010%	05/01/21	102,244	475,000	475,000
			4.200%	05/01/22	82,294	475,000	475,000
			4.250%	05/01/23	62,106	475,000	475,000
			4.300%	04/30/24	41,682	475,000	475,000
			4.375%	05/01/25	20,900	475,000	475,000
							<u>\$ 6,645,000</u>

Durant Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year		Bonds Outstanding June 30, 2008
					Interest Requirements	Principal Requirements	
	September 14, 1998	\$ 119,922	4.700%	05/15/09	\$ 1,747	\$ 6,674	\$ 6,674
			4.700%	05/15/10	15,482	41,100	41,100
			4.700%	05/15/11	1,097	7,324	7,324
			4.700%	05/14/12	748	7,673	7,673
			4.700%	05/15/13	383	8,038	8,038
							<u>\$ 70,809</u>

**Centreville Public Schools**  
Schedule of Bonded Indebtedness  
(Continued)  
June 30, 2008

1999 Refunding Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year		Bonds Outstanding June 30, 2008
					Interest Requirements	Principal Requirements	
	November 15, 1999	\$8,385,000	5.000%	05/01/09	\$ 6,875	\$ 275,000	\$ 275,000



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Board of Education  
Centreville Public Schools  
Centreville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centreville Public Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Centreville Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



We noted certain matters that we reported to management of the District in a separate letter dated October 29, 2008.

Centreville Public Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Willis & Jurasek PC". The signature is written in a cursive, flowing style.

Willis & Jurasek, P.C.  
Certified Public Accountants

October 29, 2008



Board of Education  
Centreville Public Schools  
Centreville, Michigan

## Schedule of Findings and Responses

### Finding 2008-1

Currently, the business department prepares the interim internal financial statements that allows for management and oversight of the District, but the District relies on assistance from us in preparing the year-end financial statements and footnotes. The annual financial statements for the year ended June 30, 2008, required no audit adjustments. Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the year-end financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

### Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



October 29, 2008

To the Board of Education  
Centreville Public Schools

We have audited the financial statements of Centreville Public Schools for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussions throughout the year.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Centreville Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$88,000.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process. Management has approved all adjustments.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.